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Western Canadian Reaction to the Farm Security and Rural Investment Act of 2002

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Report Highlights:

All stakeholders in the industry, including farm organizations, political parties, and the Canadian Wheat Board, have been unanimous in their condemnation of the Farm Bill. The principal concern expressed in Canada is that the subsidy provisions in the Farm Bill will undermine recent successes in World Trade Organization negotiations aimed at reducing subsidies, further reducing the market price for grains and oilseed producers. Local reaction has simultaneously faulted the Government of Canada for failing to deter the U.S. Congress from passing the legislation, and failing to sufficiently subsidize Canadian producers.

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WESTERN CANADIAN REACTION TO THE FARM SECURITY AND RURAL INVESTMENT ACT OF 2002

Reaction in the Canadian grain belt to the U.S. Farm Bill is intensifying. All stakeholders in the industry, including the full range of farm organizations, all political parties, and the Canadian Wheat Board, have been unanimous in their condemnation of the Farm Bill, and their position has been widely reported by farm and regional media outlets. The principal concern expressed in Canada is that the subsidy provisions in the Farm Bill will undermine recent successes in World Trade Organization (WTO) negotiations aimed at reducing subsidies, further reducing the market price for grains and oilseed producers. Local reaction has simultaneously faulted the Government of Canada (GOC) for failing to deter the U.S. Congress from passing the legislation, and failing to sufficiently subsidize Canadian producers.

The U.S. Government (USG) is increasingly portrayed in Canada as the perpetrator of the export subsidy battle in grains and oilseeds, rather than as a fellow (if slightly less vulnerable) victim of European subsidies. The perception is being created that the USG is abandoning its commitments to reduce subsidies under the WTO, and is escalating the subsidy war to the detriment of Canada and other countries who are trying to reduce subsidies. Growers of pulse crops are concerned that the Farm Bill provides subsidies to pulse crops for the first time. All local reaction has failed to mention that the subsidies in the Farm Bill are subject to, and consistent with, WTO agreements.

Prairie Premiers Push for Farm Aid

The Premiers of Canada's three prairie provinces have taken the lead here in criticizing the Farm Bill for its increased subsidies and in calling on the GOC to take action to provide support for Canadian (mostly western Canadian) grain and oilseed producers. Following up on a meeting between the Premiers of Manitoba and Saskatchewan on May 7, leaders from the three provinces met in Regina on May 10 and called on the GOC to take action to protect Canadian farmers, specifically to level the playing field until "new trade rules stop the EU and U.S. from distorting world markets." Claiming that the USG has abandoned its commitment to trade liberalization by increasing subsidies to agriculture and expanding subsidies to include pulse crops, the Premiers have joined Canada's largest farm groups in calling for the GOC to establish a C\$1.3 billion trade injury program to compensate producers for the effects of international subsidies. They have called for a meeting with the federal government to address "immediate and long-term mitigation of commodity prices." The meeting was covered widely by both national and regional outlets.

Keystone Agricultural Producers Criticize U.S. Farm Bill

Farm organizations strongly condemned the Farm Bill. Manitoba's largest farm lobby group, Keystone Agricultural Producers (KAP), issued a statement saying that the Farm Bill ensures "that the American farmer will be making a living by walking to the mailbox to receive subsidy cheques for the next six years." The Agricultural Producers Association of Saskatchewan called the Farm Bill the final nail in the Canadian agricultural coffin. KAP President Weldon Newton singled out Canadian Agriculture

Minister Lyle Vanclief for criticism - "Minister Vanclief and the Canadian government have been completely ineffective in making sure that the American government plays by the rules they claim to have set out."

Canadian Wheat Board

Calling the Farm Bill "bloated" and "harmful to Canadian farmers", the Canadian Wheat Board (CWB) made the non-specific recommendation that the GOC to "find ways to level the playing field for Canadian farmers." Ken Ritter, Chair of the CWB Board of Directors, said that the Farm Bill "will ensure American farmers continue to add to existing surpluses of wheat, corn and special crops, resulting in depressed prices for these commodities in Canada."

Western Barley Growers Association

A spokesperson for the Alberta-based Western Barley Growers Association (WBGA) was "disappointed" with the sheer volume of the subsidies noting, as have others, that Canada simply can't compete with the size of the US Treasury. The WBGA believes that the U.S. is in an "upward spiral" and claims the farm bill does a disservice to US farmers. In noting that the impact of the bill will be felt immediately, the WBGA spokesperson projects a shift to barley this year, given that wheat is already two weeks behind and farmers don't yet have any in the ground. The WBGA spokesperson said they are not opposed to more U.S. corn coming in to Alberta feedlots, said the group will continue to put pressure on the GOC through its membership with the Grain Growers of Canada (GGC) and call for more cost reductions through further reforms to transportation, reforms to the CWB, and user fees. The WBGA spokesperson noted that if Canada can't compete with US (and EU) subsidies, then Canada and the industry "should focus on what it can do." If the GOC does not "take action" through cost reductions, then the industry will pressure the GOC for C\$1.3 billion in funding.

Alberta Cattle Commission

A spokesperson for the Calgary-based Alberta Cattle Commission, described U.S. trade actions as "protectionist" and more "one way" than two way. Echoing the WBGA spokesperson's comments that Canada can't compete with the U.S. on subsidies, the Alberta Cattle Commission spokesperson said the bigger question here is "where the U.S. is on the WTO and NAFTA". To the Alberta cattle industry, the primary concern is the impact of the country-of-origin labeling provision, given that Alberta sends more than half of its beef exports south (Alberta's total beef exports are worth C\$1.3 billion). The spokesperson said the industry will explore other markets, but concedes it is not likely to find a larger market than it has in the U.S. In the meantime, the Alberta industry hopes to gain entry to U.S. restaurants through the "broad band of food coalition groups", a move that described as a short-term remedy. The situation is equally dismal for pork producers and even more so for Alberta's lamb industry, which exports nearly all its animals to the US. Some say the bill will eventually wipe out small producers. Finally, the spokesperson pointed out that there is a strong lobby group in the U.S. opposed to the country-of-origin bill, noting that packing plants near the border may go out of business if they can't rely on imports of Canadian cattle.

Western Canadian Wheat Growers Association

A spokesperson for the Western Canadian Wheat Growers Association (WCWGA) said the bill has "taken the wind out of a lot of people's sails," and "there is not only an overall sense of disappointment in Saskatchewan, but also one of despair." Reiterating concern over the bill's inclusion of pulse crops, the WCWGA spokesperson opined that it would have a devastating impact on Saskatchewan's production, which now accounts for nearly 50%. Evidently, one pulse crop processor in Manitoba – CanCom - is already in the process of shutting down. The spokesperson agreed with another executive member of the WCWGA who said that the full impact of the bill will take 1-2 years. On a slightly different note, the spokesperson expressed surprise over the 28 farm groups who have signed on to the "trade injury" website of the Grain Growers of Canada. While the spokesperson considered the apparent unanimity positive, the fact that many of these groups are of supply-managed origin causes concern. Finally, the spokesperson noted that, since the GOC has been unsuccessful in pressuring nations to reduce subsidies, it must continue to find other ways to reduce production costs, as noted above by the WPGA.

Ag industry reaction to the Farm Bill has been extremely pointed, especially with respect to the introduction of subsidies on pulse crops, which had been largely subsidy-free. The pulse market has been one of the few bright spots on an otherwise bleak agricultural market on the Canadian prairies. Due to the low prices on the world market for grains and oilseeds, many farmers have switched to growing pulse crops in the last few years. Canadian farm groups fear that American farmers will greatly increase their production to pulse crops as a result of their inclusion in the Farm Bill, flooding the "niche" market for these crops and lowering prices. While pulse growers see a short term market in the United States for pulse seed, in the longer term Canadian groups believe the inclusion of pulse crops in the Farm Bill will result in the end of the industry in Canada.

A headline from the *Western Producer* (a respected Western Canadian agricultural newspaper) - "U.S. Farm Policy both Impresses and Appalls" - summarizes the sentiments of producers and farm organization to the Farm Bill. Although they are appalled by the potential effect the new spending in the Farm Bill will have on global markets for agricultural products, Western Canadian farmers lament their own lack of political clout with the federal Liberal government, and envy the obvious political resources of farm groups in the United States who they see as having the ear of Congress and the President. Although the Farm Bill is often criticized as "election year maneuvering," Canadian farm groups wish they could duplicate the success of the U.S. farm lobby in getting government assistance for producers.

Comments:

Local reaction has uniformly criticized the Farm Bill for increasing subsidies to U.S. farmers, without noting that the farm bill legislation has a mechanism to keep U.S. farm subsidies within WTO limits. Increasingly, the United States is being blamed for fueling the international subsidy war in grains and oilseeds, and the commitment of the U.S. administration to the elimination of export subsidies and other farm trade reforms has come into question.

Canadian agriculture minister Lyle Vanclief has repeatedly turned down requests for a C1.3 billion "trade-injury" payment, but according to various media sources, additional funding is now being considered. As there is a federal, provincial, and territorial agricultural ministers meeting in Halifax later in June, an announcement will most likely follow. However, there are those who anticipate that any funding will likely fall very short of the C\$1.3 billion demanded by the agricultural sector by hundreds of millions of dollars.

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